

(Owatonna, MN) – Standing with consumers and a local credit counselor, Congressman Tim Walz announced today that American credit card holders will start enjoying the protections of new credit card rules on Monday, February 22nd. The new rules were enacted with the Credit Card Accountability Responsibility and Disclosure (CARD) Act, which was signed into law in May.

“Credit card companies have no shortage of gimmicks they use to take advantage of consumers, which is how they imposed \$19 billion in penalty fees on the American public during 2008” said Walz. “The rules we passed last year go into effect on Monday, not one minute too soon. Starting Monday credit card companies will be held to the kind of common decency standards we expect. The days of arbitrary interest rate hikes and variable billing cycles that can throw a family’s finances in the lurch are over.”

Julie Zachariason, a credit counselor with Lutheran Social Services said, “The new CARD Act will be welcomed by many because there will be more transparency in what issuers are allowed to do. That said, it remains particularly important for consumers to understand notices they receive. Furthermore, the best protection for credit card users is to make on-time payments and avoid excessive debt in the first place; and if that becomes difficult then seek advice from a reputable credit counseling agency.”

Ed Cunningham, a credit card holder in Owatonna, Minnesota said, “Credit Card companies are not helping the present recession by raising their interest rates to levels of that of a Loan Shark. I refuse to use a credit card to buy anything at 19+ percent interest rate. How can raising my interest create more jobs? It doesn't! Lower sales equal decreased production, which in turn equals more laid-off workers who are themselves being squeezed by the credit card companies. I'm hoping the new laws will stop this circle of abuse.”

“These rules are no substitute for sound financial planning on the part of credit card holders,” continued Walz. “But they do level the playing field so that families can make and keep plans to pay down credit card debt and get out from under the exurbanite interest rates they’re being charged.”

The Credit CARD Act will give consumers the rights and information they need to make educated decisions about their financial lives and could save some families thousands of dollars.

The Credit CARD Act:

Prevents Unfair Increases in Interest Rates and Changes in Terms

Prohibits arbitrary interest rate increases on existing balances, unless the consumer is 60 days late on a payment or fails to comply with a workout agreement.

Eliminates “universal default,” where card issuers raise interest rates because of lateness or default with other creditors — even if the cardholder is in good standing with the card in question;

Requires a credit card issuer who increases a cardholder’s interest rate to periodically review and decrease the rate if indicated by the review;

Prohibits issuers from increasing rates on a cardholder in the first year a credit card account is opened;

Requires promotional rates to last at least 6 months.

Prohibits Exorbitant and Unnecessary Fees

Prohibits issuers from charging a fee to pay a credit card debt, whether by mail, telephone, or electronic transfer, except for live services to make expedited payments;

Prohibits issuers from charging over-limit fees unless the cardholder elects to allow the issuer to complete over-limit transactions, and also limits over-limit fees on electing cardholders;

Requires penalty fees to be reasonable and proportional to the omission or violation;

Strengthens protections against excessive fees on low-credit, high-fee credit cards.

Requires Fairness in Application and Timing of Card Payments

Requires payments in excess of the minimum to be applied first to the credit card balance with the highest rate of interest;

Prohibits issuers from setting early morning deadlines for credit card payments;

Requires credit card statements to be mailed 21 days before the bill is due rather than the current 14.

Protects the Rights of Financially Responsible Credit Card Users

Prohibits interest charges on debt paid on time (double-cycle billing ban);

Prohibits late fees if the card issuer delayed crediting the payment;

Requires that payment at local branches be credited same-day;

Requires credit card companies to consider a consumer's ability to pay when issuing credit cards or increasing credit limits.

Provides Greater Disclosure of Card Terms and Conditions

Requires cardholders to be given 45 days notice of interest rate, fee and finance charge increases;

Requires issuers to provide disclosures to consumers upon card renewal when the card terms have changed;

Requires issuers to disclose the period of time and total interest it will take to pay off the card balance if only minimum monthly payments are made;

Requires full disclosure in billing statements of payment due dates and applicable late payment penalties.

Strengthens Oversight and Penalties for Egregious Credit Card Industry Practices

Requires each issuer to post its credit card agreements on the Internet, and provide those agreements to the Federal Reserve Board to post on its website;

Requires the Federal Reserve Board to review the consumer credit card market, including the terms of credit card agreements and the practices of credit card issuers and the cost and availability of credit to consumers;

Requires Federal Trade Commission rulemaking to prevent deceptive marketing of free credit reports;

Increases existing penalties for companies that violate the Truth in Lending Act for credit card customers.

Ensures Adequate Safeguards for Young People

Requires issuers extending credit to young consumers under the age of 21 to require either a co-signor or proof that the applicant has an independent means of repaying any credit extended;

Limits prescreened offers of credit to young consumers;

Prohibits increases in the credit limit on accounts where a parent, legal guardian, spouse or other individual is jointly liable unless the individual who is jointly liable approves the increase;

Increases protections for students against aggressive credit card marketing, and increases transparency of affinity arrangements between credit card companies and universities.

Gift Card Protections

Protects recipients of gift cards by requiring all gift cards to have at least a five-year life span, and eliminates the practice of declining values and hidden fees for those cards not used within a reasonable period of time.

Encourages Transparency in Credit Card Pricing

Requires the GAO to study the impact of interchange fees on consumers and merchants, specifically their disclosure, pricing, fee and cost structure.

Protects Small Businesses

Requires the Federal Reserve to study the use of credit cards by small businesses and make recommendations for administrative and legislative proposals;

Establishes Small Business Information Security Task Force to address the information technology security needs of small businesses and help prevent the loss of credit card data.

Promotes Financial Literacy

Requires comprehensive summary of existing financial literacy programs and development of strategic plan to improve financial literacy education.

